BRITISH COLUMBIA UTILITIES COMMISSION

Service Plan

2004/2005 - 2006/2007

January 31, 2004

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

The British Columbia Utilities Commission has experienced more change in 2003/2004 than in any other time in its history. During 2003/04, four Bills were promulgated that dramatically changed the responsibilities and the authority of the Commission: 1) Bill 39 – 2003, Transmission Corporation Act, 2) Bill 58 – 2003, Insurance Corporation Amendment Act, 3) Bill 40 – 2003, Utilities Commission Amendment Act, and 4) Bill 85 – 2003, BC Hydro Public Power Legacy and Heritage Contract Act.

In addition, the government asked that the Commission review the Vancouver Island Generation Project and provide a Report and Recommendations on certain matters related to the reregulation of BC Hydro.

On September 8, 2003, the Commission issued the Vancouver Island Generation Project Decision that denied approval for the Vancouver Island Generation Project and made certain recommendations including a recommendation that BC Hydro make a Call for Tenders for generation projects located on Vancouver Island. In 2004, the Commission expects to review an application for approval of an energy purchase agreement.

On October 17, 2003, the Commission issued its Report and Recommendations on the Heritage Contract, Stepped Rates & Transmission Access Inquiry. On November 28, 2003, the Government accepted 22 of the Recommendations, a number of which will keep electricity rates low for British Columbians. Many of the recommendations accepted by government will require Commission Decisions prior to implementation.

On July 29, 2003, the Commission approved a four-year Performance-Based Regulation Plan for Terasen Gas Inc. By the end of 2004, the rates of Terasen will be unbundled so that natural gas marketers can sell directly to commercial customers, and will be licensed to provide consumer protection.

In 2004/05, the Commission will continue to exercise its new responsibilities and authority under its expanded mandate. One or more applications by the Insurance Corporation of British Columbia are expected to be filed in 2004 that will require Commission approval. An application approving the revenue requirement of BC Hydro will also require regulatory approval, and the new British Columbia Transmission Corporation is expected to file an application in 2004. Further, the Commission will be involved in 14 of 26 policy actions established by "Energy for Our Future: A Plan for BC", November 2002.

I am pleased to present the 2004/05 – 2006/07 British Columbia Utilities Commission Service Plan and I am confident that the Commission will continue to meet its goals and objectives.

Robert H. Hobbs
Chair

ACCOUNTABILITY STATEMENT

The 2004/05 – 2006/07 British Columbia Utilities Commission Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks have been considered in preparing the plan. I am accountable for ensuring that the British Columbia Utilities Commission achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Robert H. Hobbs
Chair

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1.0 OVERVIEW OF THE BRITISH COLUMBIA UTILITIES COMMISSION

The British Columbia Utilities Commission ("the Commission", "BCUC") is a regulatory agency of the Provincial Government, operating under and administering the Utilities Commission Act ("UCA", "the Act"). The Commission's primary responsibility is the regulation of the public utilities under its jurisdiction and, effective August 12, 2003, the regulation of certain aspects of automobile insurance.

Through an open and transparent regulatory review process, the Commission ensures that: rates charged for energy are fair, just and reasonable; energy utility operations provide safe, adequate and secure service to their customers; shareholders of public utilities under its jurisdiction are afforded a reasonable opportunity to earn a fair return on their invested capital; Insurance Corporation of British Columbia ("ICBC") universal compulsory automobile insurance is adequate, efficient, just and reasonable; and ICBC optional insurance is not subsidized by other ICBC operations. The Commission approves the construction of new facilities planned by energy utilities and their issuance of securities. The Commission's function is quasi-judicial and it has the power to make legally binding rulings. Decisions and Orders of the Commission may be appealed to the Court of Appeal on questions of law or jurisdiction.

The Commission also reviews energy-related and basic insurance matters referred to it by Cabinet. These reviews usually involve public inquiries, followed by a report and recommendations to Cabinet. In addition, under Part 7 of the Pipeline Act, the Commission establishes tolls and conditions of service for intraprovincial oil pipelines. The Commission also has responsibilities under the UCA for electricity transmission facilities, energy supply contracts and the issuance of gas marketer licences, matters that are likely to become more active as the reorganization of the energy industry proceeds.

The work of the Commission is important to the population of BC because the effects of regulation instill a high degree of public confidence that competing interests among monopoly utilities, consumers and other stakeholders are reconciled. Likewise, the effects of regulation send a message to the community beyond BC that the province is a safe and fair place to do business.

The Act provides for a Chair, one or more Deputy Chairs, up to seven Commissioners (including the Chair and Deputy Chair[s]), and Temporary Commissioners. All are appointed by the Lieutenant Governor in Council. As of December 2003, there are seven Temporary Commissioners, two Commissioners and the Chair. There are 20 Commission staff, including professional engineers, accountants, economists, and administrative staff. The

Commission is located in Vancouver at 900 Howe Street.

Commission staff are organized into an Information Services Group and a Regulatory Affairs and Planning Group. The Information Services Group handles complaints from ratepayers, provides research support, and compiles statistics and information to respond to inquiries from the public. The Regulatory Affairs and Planning Group comprises three functional units: strategic services, rates and finance, and engineering and commodity markets. To effectively deliver its core business, the Commission has organized its regulatory functions by area of activity that are built upon the knowledge of its inter-disciplinary teams. The primary areas of activities are:

- Revenue Requirements;
- Rate Design;
- Capital Projects Review and Resource Planning Review;
- Oversight of Energy Commodity Cost and Competitive Market Development;
- Safety and Reliability; and
- Information Service and Complaints.

The Commission has been self-funded since 1988. Its annual budget ranges from $4.6 to $4.7 million. Its costs are recovered primarily through a levy on the energy utilities and pipelines companies that it regulates. By the end of 2003/04 the Commission will recover from ICBC all associated costs of regulating the entity during the fiscal year. In the next planning period the Commission will recover its full cost of regulating ICBC (including staff and general operating expenses) on a cost allocation basis, which may result in a lower levy for all public utilities.

The Commission will continue to implement key policy actions from the 2002 Energy Plan and the 2003 Core Services Review. The Commission's regulatory "tool kit" for implementing provincial policy includes public hearings, Alternative Dispute Resolution ("ADR"), incentive mechanisms such as Performance-Based Ratemaking ("PBR"), workshops and information publications. The Commission will strive to appropriately manage its costs despite the additional regulatory activities it anticipates over the next three years as a result of changes to its mandate. The Commission expects that after an initial increase in the number of applications and public hearing days, regulatory oversight will be streamlined with increased use of incentive mechanisms.

2.0 STRATEGIC CONTEXT

2.1 Vision

To be a respected regulator of public utilities.

2.2 Mission

To exercise our regulatory mandate in a manner that serves the public interest and that is independent, principled and respectful of the interests and resources of all parties.

2.3 Value Statements

The Commission is committed to:

- Ensure arms-length, independent, and accountable regulation of utilities.
- Apply regulatory principles, research and industry knowledge to resolve public utility problems.
- Render decisions that are timely, fair, workable and respected.
- Write high quality decisions, reports and publications.
- Communicate effectively and transparently with co-workers, utilities, ratepayers, government and the public.
- Promote learning, innovation, creativity and the achievement of personal and professional goals.

2.4 Planning Context

The Commission's strategic planning is guided by its overarching mandate to ensure that ratepayers receive safe, reliable and non-discriminatory energy services at fair rates from the energy utilities it regulates; that shareholders of those energy utilities are afforded a reasonable opportunity to earn a fair return on their invested capital; that service to basic automobile insurance policyholders is adequate, efficient, just and reasonable; and that ICBC optional insurance is not subsidized by other ICBC operations.

Six key areas underlie the Commission's strategic planning for the next three years and provide context for the Commission's development of its goals and objectives.

1. Regulation of Automobile Insurance

The Commission's mandate was expanded to regulate certain aspects of automobile insurance effective August 12, 2003. The Commission conducted an abbreviated written hearing process in 2003/04 to review basic insurance rates for 2004 and meet ICBC's requirements for a decision by November 17, 2003. The Commission will expand its regulatory oversight of basic insurance in 2004/05.

The guiding principle for the Commission is to set insurance rates independently through an open and transparent process, and to implement the government's policy that ICBC will remain as the sole provider of basic insurance and that ICBC will not impede competition in relation to optional automobile insurance.

Given that automobile insurance in B.C. has not been previously regulated, stakeholders are likely to be unfamiliar with the principal regulatory issues and processes. It will be necessary for the Commission to extend its credibility as a public utility regulator to that of a respected regulator for automobile insurance.

2. Energy Policy Implementation

The provincial Energy Policy was released on November 25, 2002. The policy's guiding principle for the BCUC is: "The BCUC will be strengthened and will fulfill its mandate to protect the public interest by reviewing and approving energy rates, reliability standards and other conditions of service" (p. 37).

As required by the Energy Plan, in 2003/04 the Commission completed its review of British Columbia Hydro and Power Authority's ("BC Hydro") application to construct the Vancouver Island Generation Project. The Commission also completed its Report and Recommendations on a Heritage Contract to preserve the benefits of BC Hydro's existing low cost generation, and on stepped rates and transmission access for large customers. Further Commission proceedings to implement electricity related matters in the Energy Plan during the next three years will include:

- Regulating BC Hydro rates

  Public hearings will review BC Hydro's revenue requirements and rate design applications;
- Implementing stepped rates and retail access;
- Regulating the British Columbia Transmission Corporation ("BCTC")

  A public hearing will review the utility's first schedule of rates from its revenue requirements application, including a hearing on wholesale rates associated with participation in a Regional Transmission Organization to allow the utility to participate in regional electricity markets;

- Removing disincentives for energy distributors to invest in conservation and energy efficiency programs; and
- Overseeing the transition to more competitive conditions in the electricity generation sector.

In the western United States ("U.S.") low levels of electricity infrastructure investment, low precipitation and growing demand led to abnormally high market prices and shortages during peak periods in 2000. In 2001 and 2002, a reversal of these factors led to a surplus of electricity and a reduction in the market prices for electricity. Under current government policy, BC Hydro ratepayers and British Columbia taxpayers both benefit from electricity trade revenues, which tend to be highest when market prices are high. These revenues have been reduced from 2001 peaks due to the decrease in market prices.

The UCA was amended in 2003 to provide a mandate to the Commission to implement the policy actions of the Energy Plan. Amendments to Section 45 of the UCA expand upon and clarify the planning requirements of utilities and the Commission's role to review these plans to determine whether expenditures are in the public interest and whether associated rate changes are necessary and appropriate. In the next planning period, the Commission will begin reviewing resource plans for capital expenditures, resource acquisition, and demand-side management.

Implementation of the Energy Plan requires the Commission to undertake several complex regulatory processes during the period of the Service Plan. This entails risk in so far as proceeding delays may delay future proceedings or require additional costs to be incurred to avoid such delays. Additional Commission activities required by UCA amendments also create the risk of higher costs or delays during the transition to a more normal operating environment.

3. Natural Gas Commodity Costs

Continental gas prices are influenced in the short term by weather, the economy and gas storage levels. The level of economic activity, number of wells drilled, oil prices, and other factors affecting the gas supply/demand balance impact gas prices over the longer term. Gas turbines are the current choice for many generators due to improved efficiency, lower capital cost and environmental benefits, and regional gas demand will be significantly influenced by the amount of new gas-fueled generation that is built in the region.

The sharp increase in continental market prices for natural gas in the winter of 2000/01 reversed in spring 2001 due to moderate weather, more well drilling and a slowing North American economy. Gas prices were relatively

stable over the remainder of 2001 and most of 2002, although prices were higher than prior to 2000. Gas demand has become more weather-dependent, and colder weather in the eastern half of the continent in winter 2002/03 depleted storage and caused gas prices to spike somewhat in February and March 2003. Prices remained strong over summer 2003, but forward gas prices have moderated slightly going into winter 2003/04 with storage refilled and well drilling at very high levels. Due to weather uncertainty, high crude oil prices, economic recovery in the U.S., fewer credit-worthy participants and limited liquidity in British Columbia gas markets, future gas prices are expected to be volatile and high relative to long term averages.

Experience from the winter of 2001/02 demonstrated the significant impact of very high prices on consumers' cost of living and businesses' operating costs. There was a public expectation that regulators could somehow "save" consumers from high gas commodity costs, even though costs have been set by market forces and passed on to the customers without mark-up by the utilities for over 15 years.

Although the BCUC does not regulate the competitive market for the natural gas commodity, it requires utilities to provide quarterly reviews of gas prices and deferral account mechanisms. Such mechanisms are intended to smooth out changes in utility rates when gas prices change. British Columbia customers tend to pay less than the full gas cost when gas prices are high and pay slightly more than the actual cost when gas prices are low. The debit balances that accumulated during 2000/01 should be largely paid back by customers to the utilities by the end of 2003. The Commission reviews utility gas supply contracting and hedging plans to ensure that, within the limits of market prices, the utilities purchase reliable supplies at the lowest cost possible. However, even with such measures, a risk remains that significant, sustained increases in the cost of the unregulated commodity could drive natural gas rates to uncomfortable levels for consumers.

4. Commercial Unbundling and Customer Choice

The trend toward reorganization in energy markets throughout North America is leading to increased pressure on the BCUC from customers and energy providers alike to ensure that customers are offered more options and that utility services are provided in a fair, open and non-discriminatory manner. The entry of non-regulated companies, including affiliates of regulated utilities, increases the complexity of regulating energy utility services. A necessary condition for securing competitive prices for natural gas and electricity is that remaining monopoly transmission and distribution utilities be regulated to ensure market participants receive fair access to deliver their energy at non-discriminatory rates.

As a result of the Energy Plan, Terasen Gas will implement Commodity Unbundling Service for commercial customers effective November 1, 2004. In this program, commercial customers will be permitted to select a natural gas supplier other then Terasen Gas on a fixed contract basis for up to five years. Depending on the success of the first phase in attaching a significant number of commercial customers, the program will be expanded to include residential customers. In the interim, Terasen Gas will offer a Stable Commodity Rate option for residential service that will be introduced effective January 1, 2005. Residential customers can select this alternative to fix the commodity portion of their gas rates for one year.

In order to successfully introduce this first phase, Business Rules for Gas Marketers, Code of Conduct, Rules for Gas Marketers' tariffs and rate levels are being developed to provide a framework to facilitate the conversion to commercial unbundling. Terasen Gas will implement a combination of manual and computer controlled systems as this will keep costs to a minimum but at the same time allow the majority of the system to be scaled to a broader residential customer base over time. The program is being staged with commercial customers followed by residential as there is a significant degree of investment risk and danger that an insufficient number of residential and commercial customers would participate in full scale unbundling to justify the high costs of full scale implementation. The phased approach, beginning with the commercial class is a cost effective alternative. Nevertheless, risks remain that customers will not participate in sufficient numbers to justify the cost or that the program could be tarnished by marketer abuses or consumer misunderstanding.

A challenge for government and regulators will be to find suitable long-term planning and management mechanisms that are compatible with energy market changes. Regional issues include energy supply to Vancouver Island, BC Gas' proposed Inland Pacific Connector Pipeline and the lack of natural gas storage capacity near the Lower Mainland.

5. Energy Trade

Energy trade with other jurisdictions is important to our province as a source of substantial revenue. The Commission continues to explore with other regulators harmonization, standardization, and streamlining of regulation within the limits of its enabling legislation. Events in California, Alberta and Ontario have highlighted the need to ensure that British Columbia energy consumers will receive adequate protection in a liberalized marketplace. In order to remain informed of events in other jurisdictions, the BCUC has ties with tribunals in neighbouring provinces and states and participates in cross-jurisdictional initiatives such as the Western Electric Coordinating Council ("WECC") and the Regional Transmission Organization ("RTO") formation. The Commission also plays an active role in the Canadian Association of Members of Public Utility Tribunals

("CAMPUT").

The cross jurisdictional bodies facilitate trade but have significant impact on the ability of the province to formulate policies in isolation to events outside its border. Such events can significantly affect the level of trade or the amount of revenue arising from energy trade.

6. *Benchmarking*

The BCUC has been operating at costs and staffing levels that are significantly lower than comparable tribunals (Table 1). When compiling the statistics, the Commission contacted the other tribunals to ensure that the statistics only included the portion of their budgets devoted to energy regulation. The Commission aims to update these benchmark statistics periodically, if not every year. Subject to a determination on appropriate cost recovery for basic auto insurance regulation (see Section 1.0), the Commission will revise these benchmark statistics as necessary and appropriate.

Table 1 – Benchmark comparison to Other Jurisdictions (2002)[1]

	Members	Staff	Budget	Per Capita Cost of Regulation[2]
B.C. Utilities Commission	1 full-time Chair 4 Temporary Commissioners	19	$3.3 million. fully cost recovered	$ 0.81/year
Ontario Energy Board	8 full-time Commissioners, including Chair and 2 Vice Chairs 8 part-time Commissioners	101	$20.3 million. fully cost recovered	$1.74/year
Quebec Régie de l'énergie	7 full-time Commissioners, including Chair 2 part-time Commissioners	66	$7.2 million. fully cost recovered	$0.98/year
Newfoundland Board of Commissioners of Public Utilities	3 full-time Commissioners, including Chair and Vice Chair 5 part-time Commissioners	10	$1.7 million. fully cost recovered (30% is insurance regulation)	$2.23/year
Alberta Energy and Utilities Board	8 full-time Members, including Chair	40 "utilities" staff 700 "oil and gas" staff	$94 million 78% cost recovered, 22% funded by government; estimated $4.0 million for energy utility regulation	$1.31/year
National Energy Board	8 full-time Members, including Chair and 2 Vice Chairs 6 part-time Members	281	$30.0 million 90% cost recovered 10% funded by government	not comparable

[1] These benchmarks have not been updated with 2003 data because the costs of ICBC regulation have not yet been determined. Therefore, for comparative purposes, Commission staffing levels still reflect 2002 levels in order to be consistent with 2002 cost benchmarks.

[2] The annual budget (B.C., Ontario, Quebec) or the portion of the budget devoted to energy utility regulation (Alberta, Newfoundland) divided by the population of the province.

Benchmarks of the Commission's performance over time with respect to costs and staff levels is shown in Appendices A through C. Significant changes to the structure and mandates of the BCUC and the public utilities that it regulates will have a corresponding impact on its regulatory costs. The Commission has been strengthened with the addition of two new full-time commissioners and three new temporary commissioners in 2003/04. The Commission plans to fill one new staff position in its Regulatory Affairs and Planning Group by 2004/05. The following Table summarizes the Commission's forecast of Full-Time Equivalent ("FTE") positions through 2006/07.

Table 2 – Forecast Full-time Equivalent Positions

2003/04	2004/05	2005/06	2006/07
22	26	26	26

The Commission must also budget for expenditures on legal and expert consultants given that more public hearings days will be required to meet its expanded mandate. The anticipated increase in costs will be recovered from BC Hydro, Terasen Gas, ICBC and other utilities. The Commission will strive to monitor and contain the cost increases associated with its expanded responsibilities. In spite of its efforts, however, the scope of the new activities to be undertaken by the Commission could drive up costs substantially.

2.5 Strategic Issues

Strategic Priorities

Because of significant changes to its mandate and structure, and a changing external operating environment, the BCUC plans to manage its work under the following strategic priorities:

- Regulate effectively without incurring unnecessary costs and burdensome regulatory requirements, while preserving and enhancing regulations that are necessary to ensure just and reasonable rates, and safe, reliable and adequate services.
- Foster competition by separating the natural monopoly (e.g., the pipes and the wires) from the activities amenable to market forces (e.g., the commodity and some customer services).
- Establish a new regulatory framework for competitive transmission access to ensure continued access to export electricity markets and revenues.

- Implement an efficient and effective approval process for unbundling gas commodity and distribution to meet the November 1, 2004 implementation date.
- Review fairness in call-for-tender processes to ensure that new electricity supply is provided by the less expensive options.
- After the resumption of traditional cost-based ratemaking applications in 2004/05, the BCUC will strive to return to multi-year rates set by performance results for the fiscal years beyond 2005/06.
- The BCUC will strive to use NSP, as appropriate, for Commission Decisions while also using the public hearing process periodically to deal with important structural issues and to set new base costs for support of future PBR's.
- Plan for an effective future role of the Commission in regulatory oversight of non-energy monopolies.

Strategic Shifts

In 2003/04 the Government of British Columbia entrusted the Commission with a new mandate to regulate certain aspects of automobile insurance. It also provided the Commission with an expanded mandate in the energy sector. The UCA has been amended for purposes of policy implementation and procedural efficiency.

In order to ensure effective delivery of its expanded core services and to achieve results that are consistent with its goals and objectives, the Commission has identified the following new targets for its planning period:

- Full implementation of regulation for ICBC by the beginning of 2004/05. This includes not only readiness for the 2005 Revenue Requirements Application but also workshops or hearings on competitive insurance and potential complaints from ICBC competitors and other stakeholders.
- Timely specific Decisions critical to implement the Energy Plan with respect to new electricity rate structures (Stepped Rates Retail Access) and least cost resource acquisition (Resource Planning).
- Appropriate management of costs that accompany the Commission's expanded mandate and structure by allowing only a modest increase in staff in its Regulatory Affairs group.
- Pursuing PBR and NSP as complementary to traditional regulation.
- Impact measurement of the rules on licensing and bonding on consumers, marketers and gas utilities.
- Measurement of cycle times for non-hearing applications and complaints.

Risk Management

In general, the Commission's organizational risks are low or manageable. As a $1,000 vote, budget risks are minimal: the funding levy is low, fairly allocated across energy utilities, fully grounded in legislation and transparently set. Annual budget surpluses are refunded back to the energy utilities in the first quarter of the following year as a deduction from their first quarterly payment.

In the past, workloads tended to peak between November and February as new rates are established for the calendar year. In order to review the numerous complex applications expected in the new planning period, the Commission's peak workload will likely extend to cover the entire period of the next two years. More specialist consultants will be retained to ensure timely but thorough evaluations. Commission staff will continue to assist the Yukon and Saskatchewan utility review boards under contract if workloads permit, which reduces slightly the levy paid by British Columbia utilities.

The BCUC is not immune from the recruitment, retention and succession issues faced by many organizations. Many professional staff are either able to retire now or within the next few years. The Commission, with the Public Sector Employers Council, implemented a new compensation and performance management framework in early 2003 and will continue to monitor its relative competitiveness to retain and attract staff.

3.0 GOALS, OBJECTIVES, KEY STRATEGIES AND TARGETS[3]

The BCUC will pursue the Goals defined below in order to achieve its stated mission. The tables on the pages that follow detail for the new planning period the Commission's Objectives, Strategic Activities, Outputs, and Target/Quality Indicators as they are associated with each overarching Goal.

- **Goal 1** Ensure that utilities regulated within the mandate of the UCA are financially viable and provide high quality service.
- **Goal 2** Ensure quality and reliability of utility service.
- **Goal 3** Ensure customer satisfaction with utility service.
- **Goal 4** Enhance provincial competitiveness through non-discriminatory services.
- **Goal 5** Enhance provincial competitiveness through the containment of cost of service increases.
- **Goal 6** Provide standards to maintain and improve public and worker safety.
- **Goal 7** Control the cost of regulation.
- **Goal 8** Improve communication about and satisfaction with BCUC regulatory matters.

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[3] The Commission has reworked and reorganized its goals, objectives, key strategies and targets in response to its expanded mandate and to facilitate improved annual performance reporting on a go forward basis. This initiative explains most substantive differences between this section of the Service Plan and the corresponding section in previous plans. Also of particular note is that given the mandate of the Commission and the nature of its operations, forecasting trends or benchmarks in any particular target is not possible, or such benchmarks and forecasts may simply not be available.

Goal 1 **Ensure that utilities regulated within the mandate of the UCA are financially viable and provide high quality service.**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Ensure sufficient revenue for each utility to provide safe, reliable operations. Ensure utility's capital and operating expenditures are reasonable for recovery in utility rates.	Review of the Revenue Requirements Applications of utilities including: • demand projections; • utilities' capital and operating expenditures; and • capital structure and financing (including an appropriate ROE).	PNG (West and NE) 2004 Revenue Requirements Review – written hearing Terasen Whistler 2004 Revenue Requirements Review – NSP Aquila 2004 Revenue Requirements Review Terasen Gas – Annual review of 2004-07 PBR BC Hydro and BCTC 2004 Revenue Requirements Review – public hearing ICBC – 2005 Revenue Requirements Review – public hearing	Settlement Agreement endorsed by all participants or Commission Decision approving an appropriate revenue requirement for each utility Commission Decision that is timely, clear and well-reasoned.
	Calculation of the allowed Return on Equity ("ROE") for low-risk benchmark energy utility at the end of each year to allow energy utilities to incorporate results into their rates for the following year.	Publication of the resulting ROE by early December each year for the following year's ROE	A low-risk benchmark ROE based on a methodology accepted by utilities and consumers
Ensure that utilities have access to credit facilities and the terms are in the public interest.	Review and oversight of utility financing. Review of terms of sale of shares of utility.	Approval or feedback to the utilities	Comparison of utility financing activities to market conditions.

Goal 2 **Ensure quality and reliability of utility service**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Ensure that necessary expenditures are made to provide high quality reliable service. Ensure that appropriate system upgrades are undertaken to accommodate system growth. Follow up of safety-related incidents.	Incorporate financial incentives into multi-year revenue requirements. Review utility capital and operating plans. Review of customer complaints.	Provisions in incentive settlement agreements to encourage utilities to provide high quality, reliable service based on agreed upon performance indicators. Monitoring of system integrity and approval of appropriate utility capital plans. Monitoring of road safety program costs. Reports from the utilities on the causes of the incidents and steps taken to prevent further incidents.	Electricity utilities meet or exceed the applicable safety and reliability standards. Results monitored and compared to previous utility performance and industry standards. Timely, clear and well-reasoned Decisions. Reductions in the number and severity of safety-related incidents.

Goal 3 **Ensure customer satisfaction with utility service**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Incorporate incentives to encourage utilities to undertake "customer friendly" operating practices. Direct utilities to address issues arising out of customer complaints. Encourage response to commodity competition and customer needs. Implement more choice in natural gas supply for small customers. Monitor and respond to customer complaints that tariffs are not fair or that utilities are not following their tariffs.	Review and respond to complaints. Development of new services. Operating Practice Review	Provisions of incentives in multi-year settlements for utilities to improve service levels. Ongoing feedback and communication among customers, the utilities and the Commission. Approval of programs based on disclosure of economic information on program costs and consumer benefits. Establishment of ABC-T Service by November 2004. Resolution of franchise fees issues with local municipalities. A resolution to the complaint based on the particular circumstances.	Improvements in service quality indicators over time for each utility. Customer satisfaction with the Commission's management of their complaints, as evaluated by periodic surveys of complaints. A well articulated and well reasoned resolution to the complaint. Programs provide benefits to customers and utilities at fair and non-discriminatory rates. Acceptance of the program by the utility and customers or feedback leading to an improved program. High level of customer understanding of ABC-T options by implementation date. Competitive gas supply options provided for industrial customers without adverse cost impacts on other customers.

Goal 4 **Enhance provincial competitiveness through non-discriminatory services**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Ensure that utility tariffs are fair and non-discriminatory by apportioning the revenue requirement fairly to different classes of customers.	Periodic rate design reviews Review of utility tariffs	BC Hydro – Review of Rate Design Application in 2005 by public hearing.	Tariffs for the same services to different customers are fair and non-discriminatory. Timely, clear and well-reasoned Decisions
Promote customer choice. Enable non-utility suppliers to offer various prices and term options for small customers who wish to buy natural gas from brokers and marketers.	Oversight of Energy Commodity Cost and Competitive Market Development	Customer choice in natural gas supplier to core market by November 2004 for Terasen Gas, to be followed by choice option for PNG and Terasen Vancouver Island customers in 2005. (The date for implementation of customer choice was delayed by a year from the previous Service Plan to ensure that changes to the UCA, which would enable the Commission to proceed, were complete.)	Rules on licensing and bonding for customer protection under the UCA. Elimination of supply contract filing requirements for Large Volume customers.
Ensure that the development of competitive optional automobile insurance business is not impeded by ICBC's business practices.	Oversight of allocation of revenues and costs and operational support between the basic and optional businesses of ICBC.	Conduct hearing or review ICBC activities related to matters on competition.	No legitimate complaints from competitors with respect to ICBC cost/revenue structure and resource sharing.
Implement and manage changes in the electricity industry consistent with provincial electricity policies, regulation of transmission operators and their participation in a larger Regional Transmission Organization (RTO West).	Regulation of restructured electricity transmission operators.	Transmission rates will be unbundled from the current integrated rates.	An efficient transmission system in British Columbia with non-discriminatory rates.

Goal 5 **Enhance provincial competitiveness through the containment of cost of service increases**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Ensure that new facilities are planned and located efficiently. Ensure that supply during peak periods is not constrained by capacity of existing gas pipeline or storage facilities, or electricity generation or transmission.	Review major capital projects through applications for a Certificate of Public Convenience and Necessity ("CPCN").	Call-for-Tenders for new supply for Vancouver Island by mid-2004. Terasen Whistler - review of Demand-Side Management and other energy efficiency measures - review of longer term initiatives.	Capital projects are added if they are necessary, least cost and the best alternative. Timely, clear and well-reasoned Decisions.
Develop incentives for the utility to create savings for ratepayers through exceptional commodity management.	Review energy supply contracts, price risk management plans and/or electricity purchase plans.	Terasen's Gas Supply Mitigation Incentive Program provides a result-based incentive for the utility to maximize revenue from the resale of surplus gas and transmission capacity.	Lowest long term cost for rate-payers consistent with reliable supply and limited exposure to price volatility.
Ensure that gas utilities purchase supplies prudently and manage risks in commodity trading effectively.	Oversight of commodity trading and hedging activities and gas cost variance account balances.	Approval or feedback to the utility on commodity contracting, or price risk management (hedging) activities. Reports on gas contracting and hedging activities from the utilities.	Utility trading activities are appropriate to market conditions.

Goal 6 **Provide standards to maintain and improve public and worker safety**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Ensure that market liberalization will not be accompanied by challenges to service quality and reliability. Uphold that safety of the public and utility workers is paramount.	Review criteria and agreements concerning electric system reliability and reliability management from the WECC activities. Monitor and follow-up of safety-related incidents within the Commission's jurisdiction.	Secure and reliable operations resulting from the standards and criteria set out in Reliability Management System Agreement and the Reliability Criteria Agreement.	British Columbia utilities meet or exceed the applicable safety and reliability standards.
		Reports from the utilities on the causes of the incidents and any steps or improvements that can be taken to prevent further incidents.	Reductions in the number and severity of safety related incidents.

Goal 7 **Control the cost of regulation**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Determine if Commission activities are necessary and, if so, if they are the most efficient and cost-effective method for achieving the desired outcome. Maintain Commission budgets and core expenditures at or below current levels, adjusted for inflation and new responsibilities. Search for additional revenue and enhance reputation and knowledge of the Commission and staff.	Ongoing review of all Commission's activities Consultancy to other jurisdictions	Annual Performance Indicators on staff levels, Decisions issued, hearing days, Alternative Dispute Resolution days, Commission expenditures, Commission costs per customer, and Commission costs per gigajoule of energy sold. Assist Yukon Utilities Board and Saskatchewan Rate Review Panel.	Publish performance indicators in Annual Reports and Annual Service Plans. Maintain or improve performance as measured by indicators. (See Appendices A through C.) Maintain favourable benchmarking of BCUC staffing and budget statistics against those of comparable tribunals. (See Section 2, Table 1.) Revenue from services offsets BCUC costs and enhances reputation and knowledge of the Commission and staff.

Goal 8 **Improve communication about and satisfaction with BCUC regulatory matters**

Objective	Strategic Activity	Output, Outcome	Target or Quality Indicator
Enable non-specialists and specialists to understand the Commission's reasoning in resolving detailed and complex issues.	Issue clearly written decisions and judgments	Clear, readable and plainly written Decisions and Orders.	Favourable feedback from utility personnel and customers.
Respond appropriately to customer complaints in a timely fashion. Rule on complaints fairly and efficiently, while balancing the needs of the complainant, other customers, and the utility. Maintain and improve satisfaction ratings with the BCUC by utilities, intervenors, and complainants.	Respond to complaints Periodic assessment of public confidence in the regulatory process	Current procedures are articulated in the Commission's "Complaint Handling" pamphlet. Review of complaint management process, including allocated resources and the means of communicating Decisions. Periodic Stakeholder Assessment Reports, including stakeholder satisfaction ratings for comparison with baseline ratings.	Improved satisfaction levels by complainants with the clarity of the Commission's explanations (from Stakeholder Assessment Reports). Complaints Management Review Report completed at least once yearly in tandem with the Annual Report. Maintained or improved satisfaction ratings with the BCUC by utilities, intervenors and complainants.

4.0 ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Commission accomplishes its mission by applying fair, open, effective and efficient regulatory processes, preparing independent, professional and well-reasoned decisions, and communicating clearly and in easy to understand language. This aligns with all of the core values in the government's strategic plan.

The Commission's responsibilities relate primarily to the economic regulation of provincial energy utilities, which in 2003/04 was extended to a non-energy utility, ICBC. Consequently, the Commission's actions are most strongly linked to "Goal 1" of the government's strategic plan: a strong and vibrant provincial economy. By containing cost of service increases of regulated utilities and by ensuring that those utilities are financially viable, the Commission assists in enhancing the competitiveness of British Columbia.

The Commission, through its regulation of utility operations and capital additions, also supports "Goal 3" of the government's strategic plan: safe, healthy communities and a sustainable environment. The Commission promotes safe communities and work environments by investigating operational complaints by customers, by reviewing utilites' operational and capital expenditures on projects that enhance safety and reliability, and by including safety and reliability indicators in performance-based regulation.

5.0 SUMMARY FINANCIAL OUTLOOK 2003/04 – 2006/07

5.1 Summary Financial Outlook Service Plan

	2003/04 (budget)	2004/05 (forecast)	2005/06 (forecast)	2006/07 (forecast)
Total Revenue	$4,733,000	$4,677,000	$4,677,000	$4,677,000
Total Expenses	$4,733,000	$4,677,000	$4,677,000	$4,677,000
Operating Income (loss)	$0	$0	$0	$0
Net Income (loss)	$0	$0	$0	$0

5.2 Key Assumptions

The Commission continues to fully recover its costs from the utilities it regulates. The Commission's budget for 2003/04 has increased slightly from the forecast amount for this period reported in last year's service plan given the transitions the Commission is undertaking in response to its expanded mandate. Forecast values for the 2004/05 and 2005/06 planning periods have decreased slightly in comparison to last year's plan.

5.3 Forecast Risks and Sensitivities

Provincial Government decisions may result in another addition of a non-energy utility to the responsibility of BCUC. For example, Land and Water B.C. wishes to divest itself of its private water utility regulation function by the spring of 2004 and is currently working through the legislative changes necessary to transfer this function to the BCUC.

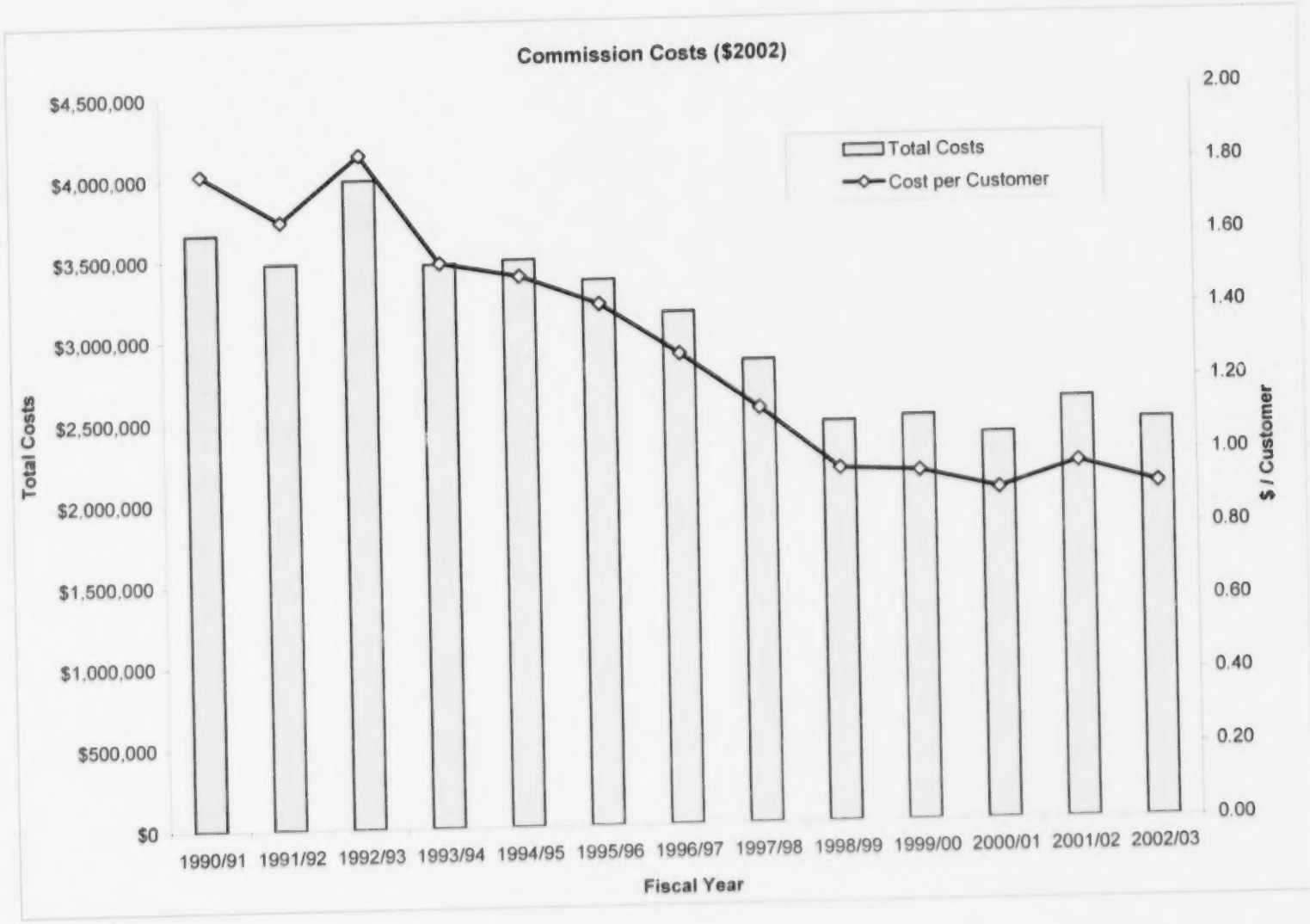
6.0 MAJOR CAPITAL PROJECT PLAN

The BCUC has no planned capital projects within the planning period.

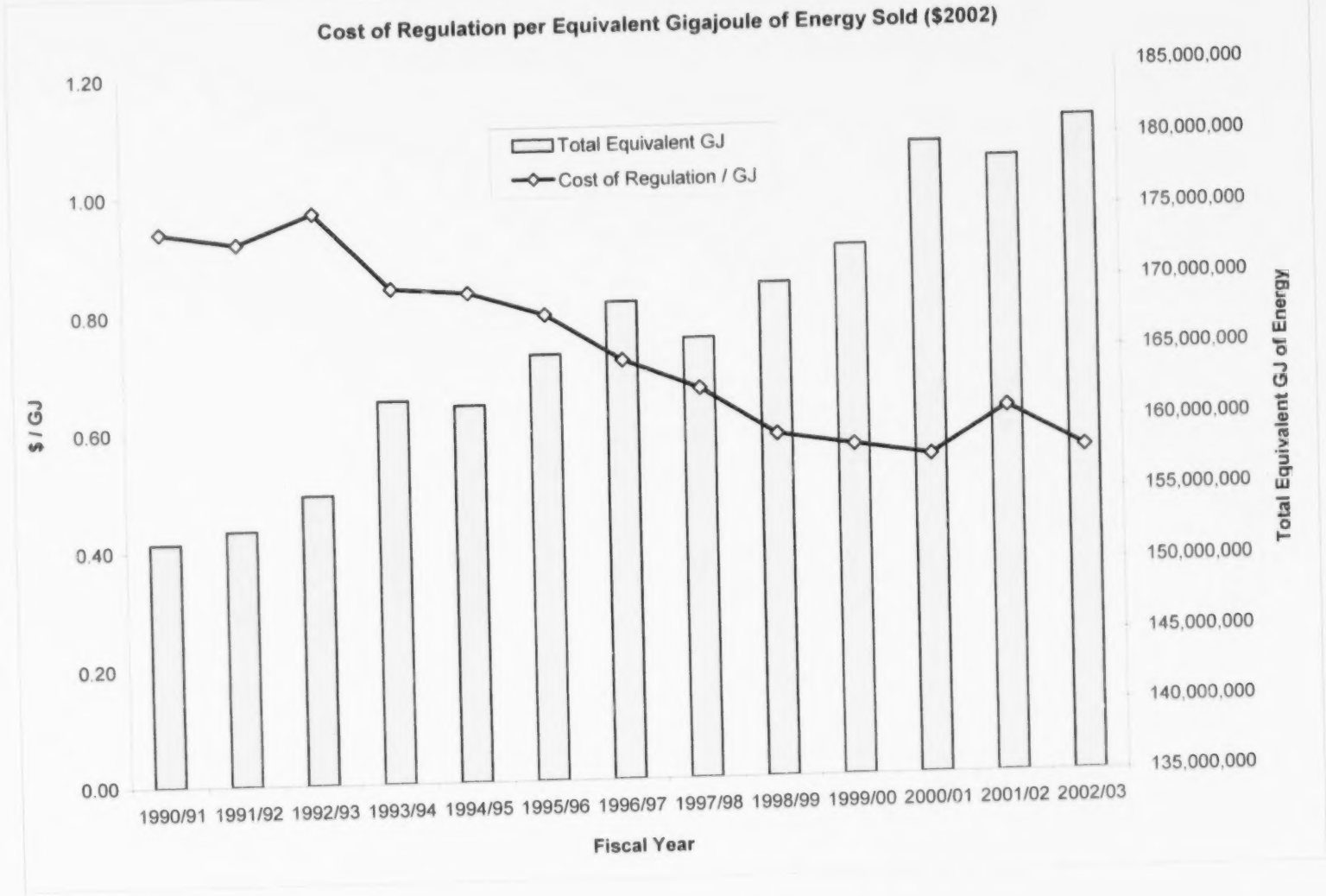
7.0 OPERATING SEGMENTS SUMMARY

The BCUC has no subsidiaries or other operating segments.

APPENDIX A – COMMISSION COSTS



APPENDIX B – COST OF REGULATION PER EQUIVALENT GIGAJOULE OF ENERGY SOLD



APPENDIX C – COMMISSION STAFFING LEVELS